

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2004-135-E/G - ORDER NO. 2004-275  
MAY 27, 2004

IN RE: Application of South Carolina Electric & Gas Company for Authorization to enter into a Revolving Credit Facility and to enter into a Guaranty Agreement to Support a Proposed Revolving Credit Facility for South Carolina Fuel Company, Inc.	) ORDER AUTHORIZING ) CREDIT FACILITY ) AND GUARANTY ) AGREEMENT ) )
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This matter comes before the Public Service Commission of South Carolina (the “Commission”) by way of an Application filed on May 12, 2004, by South Carolina Electric & Gas Company (the “Company” or “SCE&G”) for authorization to: (1) enter into a proposed revolving credit facility, incur and repay indebtedness under such facility pursuant to the terms thereof, and issue notes evidencing such indebtedness, all in the manner hereinafter described, and (2) enter into a guaranty agreement to support a proposed revolving credit facility for South Carolina Fuel Company, Inc. (“SCFC”). The Application was filed pursuant to S.C. Code of Laws §58-27-1710 (1976), as amended.

SCE&G proposes to enter into a revolving credit facility with Wachovia Bank, National Association (“Wachovia”) and Bank of America, N.A. (“Bank of America”), affiliates of which will act as co-lead arrangers, and a syndicate of lenders, under which it may borrow from time to time up to a maximum amount of \$400,000,000 (the “Facility”). The Summary of Terms and Conditions of the Facility (the “Term Sheet”)

was attached to the Application as Exhibit A and incorporated therein. Wachovia will serve as administrative agent for the Facility. Bank of America will serve as syndication agent. Borrowings under the Facility will be unsecured and will not encumber any of SCE&G's assets. Under the Facility, the Company's borrowings may remain outstanding until the Facility's final maturity date which will be on the fifth anniversary of the closing date. However, SCE&G proposes to have the flexibility to periodically extend the maturity date of the Facility and to substitute participating lenders as market conditions may warrant.

The Facility will replace a \$250,000,000, 364-day revolving credit facility with a scheduled maturity date of June 15, 2004, a \$75,000,000 three-year revolving credit facility scheduled to mature on June 18, 2005, and a \$25,000,000 bilateral line of credit with a scheduled maturity date of June 30, 2004. There are no borrowings outstanding under any of the existing credit facilities as of the date of this application.

Interest payable on loans taken under the Facility will vary depending upon the interest rate option selected by SCE&G. The options available are (i) Base Rate and (ii) LIBOR plus the Applicable LIBOR Rate Margin.

SCE&G may pay certain fees, including attorneys', accountants' and trustees' fees, and fees for similar services, in connection with the negotiation or consummation of the Facility or borrowings thereunder as described in the Application. Such fees are not expected to exceed \$125,000. The Company will pay no fees for services in securing underwriters, agents, or lenders under the Facility, other than fees negotiated with such persons. SCE&G will pay a facility fee and may pay a utilization fee described in the

Term Sheet. Such fees are the result of arm's length negotiations with the lenders under the Facility and are comparable to fees payable in similar transactions in the marketplace. SCE&G will also pay a participation fee to each lender under the Facility, to be determined pursuant to arm's length negotiations. Such fee is not anticipated to exceed \$1,200,000. SCE&G will also pay certain administrative fees based upon arm's length negotiations with the administrative agent and joint arrangers under the Facility, consisting of a one-time arrangement fee of not more than \$400,000 and an annual administrative fee of not more than \$20,000. The Company may incur additional fees to periodically extend the maturity date of the facility.

The Facility will be used for the purposes of (a) providing liquidity to support the issuance and repayment of commercial paper, (b) interim financing of SCE&G's ongoing electric plant and gas facility construction, (c) working capital requirements, and (d) general corporate purposes. In addition, the Company may continue to issue intermediate-term and long-term debt securities for these purposes, as authorized by this Commission in Docket No. 2003-0261-E.

Sufficient financing of its current construction program is essential if SCE&G is to continue to be able to meet its obligations to the public to provide adequate and reliable electric and gas service. The Company's electric plant and gas facility construction expenditures (including expenditures for the acquisition of nuclear fuel) were \$590 million for 2003 and \$585 million for 2002. Further information was set forth in SCE&G's (Condensed) Consolidated Statements of Cash Flows included in Exhibits C, D, and E to the Application.

SCE&G will pay lower fees and transaction costs to the banks participating in the proposed Facility over the life of the financing relative to the annual fees incurred to renew its predominantly short-term existing credit facilities. In addition, the ability to extend the tenor of the facility to five years significantly reduces the market risk to which the Company is exposed in renewing the various facilities on an annual basis, both in terms of the potential for increased pricing and the availability of bank credit commitments.

SCE&G also proposes to enter into a guaranty agreement to support a proposed revolving credit facility for SCFC with Wachovia and Bank of America, affiliates of which will also act as co-lead arrangers, and a syndicate of lenders, under which it may borrow from time to time a maximum amount of \$125,000,000 (the “SCFC Facility”). Wachovia and Bank of America will also serve as administrative agent and syndication agent, respectively, for the SCFC Facility. The terms and conditions of the SCFC facility will be substantially the same as the Facility and were set forth as Exhibit B to the application (the “SCFC Term Sheet”), except that the SCFC Facility is collateralized. Borrowings under the SCFC Facility may remain outstanding until its final maturity date, which will be on the fifth anniversary of the closing date. SCE&G also proposes to enter into amendments to the guaranty agreement to cover periodic extensions of the maturity date of the SCFC Facility and substitutions of participating lenders as market conditions may warrant. SCE&G will pay no fees in connection with its guaranty of the proposed SCFC Facility.

The proposed SCFC Facility will replace an existing 364-day revolving credit facility with a scheduled maturity date of December 14, 2004, in the amount of \$125,000,000, which is supported by an SCE&G guaranty. There are no borrowings outstanding under the existing credit facility as of the date of this application.

The SCFC Facility will be used by SCFC for the purposes of (a) providing liquidity to support the issuance and repayment of commercial paper and (b) to acquire, own, and provide financing for SCE&G's nuclear fuel, fossil fuel, and sulfur dioxide emission allowance requirements.

After investigation by the Commission Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibits thereto are proper; that the purpose of the proposed revolving credit facility and guaranty agreement to support a proposed revolving credit facility of SCFC are proper; and that incurring and repaying indebtedness under such facility pursuant to the terms thereof are reasonable and proper.

IT IS THEREFORE OFFERED, ADJUDGED AND DECREED:

1. That SCE&G is authorized to enter into a revolving credit facility, under which it may borrow from time to time up to a maximum of \$400,000,000 as described in the Application; to incur and repay such indebtedness under such facility pursuant to the terms thereof; and to issue notes evidencing such indebtedness.

2. That the Company's borrowings may remain outstanding until the Facility's final maturity date.

3. That the Company is also authorized to periodically extend the maturity date of the Facility and to substitute participating lenders as market conditions may warrant.

4. That SCE&G is authorized to incur and pay the estimated fees and expenses in connection with the negotiation or consummation of the Facility or any extensions thereof.

5. That SCE&G is authorized to use borrowings under the Facility or net proceeds from the sale of commercial paper backed by the Facility, solely or with other corporate funds in any case, for interim financing of SCE&G's ongoing electric plant and gas facility construction, working capital requirements, and for general corporate purposes. In addition, the Company may continue to issue intermediate-term and long-term debt securities for these purposes, as authorized by this Commission in Docket No. 2003-0261-E.

6. That SCE&G is authorized to enter a guaranty agreement to support a revolving credit facility for SCFC, under which SCFC may borrow from time to time a maximum amount of \$125,000,000.

7. That SCE&G is authorized to enter into amendments to the guaranty agreement to cover periodic extensions of the Facility and for the substitution of participating lenders as market conditions may warrant.

8. That approval of the Application does not bind the Commission as to the ratemaking treatment of this issuance.

9. That this Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

10. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/  
Mignon L. Clyburn, Chairman

ATTEST:

/s/  
Bruce F. Duke, Executive Director

(SEAL)